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GATT Ministerial Meeting
Punta del Este, Uruguay

Opening Statement by Ambassador Clayton Yeutter
United States Trade Representative

September 15, 1986

Mr. Chairman, fellow delegates, this week GATT faces an historic challenge. Our task is more difficult than any that has confronted world trade since the very creation of GATT in 1947. What we do in Punta del Este will determine whether GATT remains a functional, dynamic institution serving the interests of its members or declines into a static and passive association that is irrelevant to the needs of international trade.

Our task may be daunting but it is one from which we must not shirk. The world trading system is in trouble. All of us, to one degree or another, have slipped from the GATT ideals of free and open trade. Some have slipped considerably, making protectionism dangerously more commonplace. Many now overlook the tremendous benefits that these ideals made possible during the last 40 years. The expansion of trade can enable more individuals to participate in the world economy, thereby improving their quality of life and standard of living.

Rather than allow permanent damage to the world trading system, we must reaffirm the basic principles established by the founders of GATT. Such a reaffirmation must recognize the

realities of international trade today. This means extending GATT principles to all major areas of trade. For too long, GATT rules and disciplines have not applied to many of the most important sectors of the world economy, leading to global trade distortion and economic disequilibrium that can no longer be tolerated.

The United States, with a trade deficit approaching \$200 billion, is the major victim of this disequilibrium. President Reagan has forcefully resisted a tide of domestic protectionism in the face of this gigantic trade deficit, but he cannot do so forever. GATT members need to work together to move the world back toward economic equilibrium -- to the benefit of all. If other countries are not interested in doing so, the U.S. will have no choice but to defend its own interests in its own way. We are prepared to do so if we must.

The United States advocates a new round because we believe that GATT can be responsive to the rapidly-changing requirements of international commerce. We are prepared to modernize it for the benefit of every country. This will require a firm commitment by all GATT member countries to work together toward a common goal.

The vast majority of GATT members have already demonstrated such a commitment. The process for launching a new round was

begun by the unanimous consensus of the contracting parties last November. During the first seven months of this year, the Preparatory Committee met to draft an agenda for the new round. Out of those meetings came the text upon which we will base our discussion for the final ministerial declaration. This text resolved a number of issues, leaving others to be decided here. It was a significant accomplishment. It leaves me confident that the decision to launch a new round is within our grasp.

The negotiators who drafted that text represent countries of all characterizations: developed, developing and newly industrialized; northern and southern, eastern and western. Colombia and Switzerland deserve particular mention for chairing the deliberations but all 40 or so participating nations deserve credit.

The diverse composition of the drafting group demonstrates conclusively that support for a new round is widespread and not limited to one nation or group of nations. It also disproves the assertion that there is a GATT conflict between the LDCs and the developed nations. Indeed, the developing nations provided much of the leadership that went into drafting the W-47 declaration.

The contribution of the developing countries to the

Preparatory Committee process is only the most recent example of how important the LDCs have become to world trade. The United States welcomes the growth and increasing stature of the developing nations. We buy nearly two-thirds of the manufactured goods sent from the LDCs to the developed countries and we look forward to increasing our exports to LDC markets. We believe the United States can only benefit as developing countries become more prosperous.

By deciding to meet here in Punta del Este, the GATT has demonstrated that the LDCs are full partners in the GATT process and just as committed to GATT principles as the developed nations. Mr. Chairman, I thank you for your nation's generous offer to host this meeting and I know your able leadership will ensure its success.

Uruguay is just one of the many developing nations that understands it too has a tremendous stake in the expansion of world trade. They know that protectionism threatens developing nations far more than it does the United States. We are large enough and self-sufficient enough to adjust to closed markets, thereby limiting the damage. Resurgent protectionism would slow our economic expansion and reduce our standard of living but it would not devastate our economy as it would smaller and more export-dependent nations.

The new round will not only help LDCs by reversing protectionist trends; it will also provide many opportunities for expanding trade. The U.S. position on such issues as agriculture, services, investment and intellectual property is well-known, but not so widely recognized is the support we enjoy from progressive LDCs that realize they will also benefit from inclusion of these issues in the new round.

For example, it is clear that the main victims of agricultural protectionism are smaller, agrarian economies that cannot compete with massive export subsidies nor penetrate import barriers that the GATT currently permits. The agricultural language in the draft ministerial declaration offers hope for change that will benefit not just U.S. farmers but others around the globe.

Similarly, the lack of rules for trade in services does not restrict the U.S. only. Many LDCs that are competitive in services or hope to evolve into service economies find significant markets closed to them by their neighbors' protectionist policies. A services code guaranteeing nondiscriminatory treatment and equitable access would threaten no nation, especially since none will be forced to sign such a code. Furthermore, services facilitate trade in goods. The two are complementary, and as international commerce becomes more sophisticated, will forever be interrelated -- in all countries.

As for investment, the lack of basic principles penalizes LDCs by creating uncertainty and risk for investors. There is an urgent need throughout the developing world for increased foreign investment, particularly among nations that need to reduce their reliance on debt capital but need equity capital to stimulate growth. As long as there are no meaningful rules in this area, investment in these countries will remain risky and unattractive.

Finally, we need better rules on intellectual property, not simply for the sake of the developed world but also for the LDCs, who benefit from research and development wherever it is conducted. The concept of protecting intellectual property is not new; but it is time to recognize that the issue affects trade and ought to be addressed by the GATT. The current lack of protection for intellectual property virtually guarantees that only the developed nations can afford to invest heavily in vital research, which will keep the LDCs from progressing as rapidly as they could otherwise.

We regard the issues of agriculture, services, investment and intellectual property as critical to the future of all GATT members. We cannot envision -- nor agree to -- comprehensive new trade negotiations that do not include these four issues

on the agenda. Without them, there will be no meaningful standstill-rollback commitment, no reduction in tariff and non-tariff barriers, no negotiation of a safeguards code, no improvement in the GATT dispute settlement mechanism or subsidy rules, and no discipline over the "gray area" measures that so plague international trade today.

Today GATT stands at a crossroads. Regardless of what we do here, world events will go forward. We cannot stop change, but we can work to set our own destiny. If we leave Punta del Este without taking steps to strengthen and modernize GATT, we will have failed to grasp an opportunity to improve the lives of all citizens of the world for years to come. But if we act decisively we will be worthy successors to the statesmen who created GATT 40 years ago. Let their vision inspire us as we work to invigorate GATT for future generations.
